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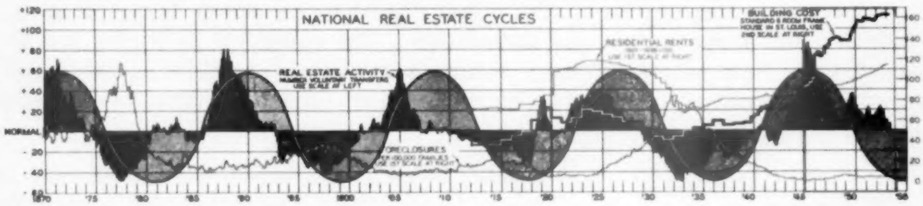
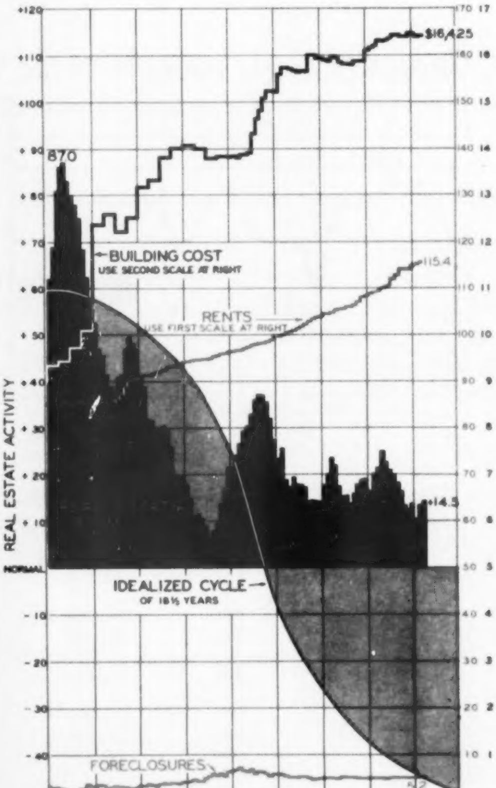
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS





REAL ESTATE ACTIVITY
Rising slowly from January low point, but still well below level of a year ago.

REAL ESTATE MORTGAGE ACTIVITY
Good and getting better. Outlook good for plenty of mortgage money.

RESIDENTIAL CONSTRUCTION VOLUME
Private starts within few thousand of number started in first quarter of 1953.

INTEREST RATES
Apparently begin to level off.

RESIDENTIAL SALES PRICES
Instead of the usual seasonal rise, March level showed no change.

RESIDENTIAL CONSTRUCTION COSTS
Up slightly from year ago. Probabilities favor declines, but any change will be relatively small.

REAL ESTATE ACTIVITY

In January, our national real estate activity index fell to its lowest point since 1949. This revised reading was 10.6 points above the long-range computed normal. During the last 2 months, however, it has slowly recovered, and in March climbed to 14.5.

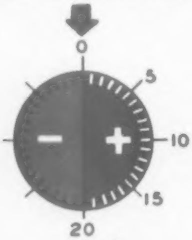
Real estate activity's slow downward trend will probably continue for several more years. There is, however, some chance that it will be temporarily slowed (or reversed) by a section of the housing bill now being considered by Congress. The section that extends to older houses the same FHA terms available to new houses could bring some resurgence to older property sales and values.

However, the present investigations of the FHA are bound to cause some uncertainty in its field offices, and could easily bring about some drastic revisions of the proposed housing legislation. The country's interests and the interest of the real estate industry will be admirably served by an impartial and speedy investigation. Unfortunately, while the investigations promise impartiality, they do not promise speed.

RESIDENTIAL SELLING PRICES

During most of the life of our residential sales index, it has shown a seasonal rise in the spring. So far this year, the seasonal rise has not developed. It will probably come in May and June, as it did in 1953.

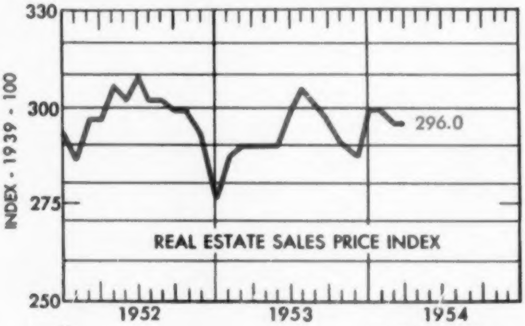
REAL ESTATE SALES PRICE COMPARISON IN MARCH 1954



With preceding month 0.0%

With same month preceding year +2.1%

With peak (October 1951 and June 1952) -4.5%



Date	Selling price index	Probable selling price of a house that sold for $5,000 in 1939
1939	100	$ 5,000
1940 (2nd half)	110	5,500
June '52 & Oct. '51 peak	310	15,500
Jan. '53	287	14,350
Oct. '53	290	14,500
Nov. '53	287	14,350
Dec. '53	300	15,000
Jan. '54	300	15,000
Feb. '54	296	14,800
Mar. '54	296*	14,800*

*Preliminary.

We have mentioned before that we are in the process of refining this index into several others, each one dealing with a rather broad classification of single-family homes. The most obvious classifications of our new indexes will be by age groups and by story heights. These and other refinements will make this index much more useful to you. We will probably begin publishing some of the refined figures about the middle of the summer.

MORTGAGE INTEREST RATES

Our mortgage interest index dropped minutely in March. Following its long, steady rise, the average rate dropped from 5.240% in February to 5.197% in March. You must remember that this index is the average rate of all real estate mortgages made in 11 typical cities. Therefore, our average figure includes FHA-VA loans and a slowly increasing number of second deeds.

AVERAGE INTEREST RATE OF RECORDED MORTGAGES
IN 11 MAJOR CITIES OF THE UNITED STATES

March 1952	4.998%
March 1953	5.007
December 1953	5.110
January 1954	5.187
February 1954	5.240
March 1954	5.197

RESIDENTIAL CONSTRUCTION VOLUME

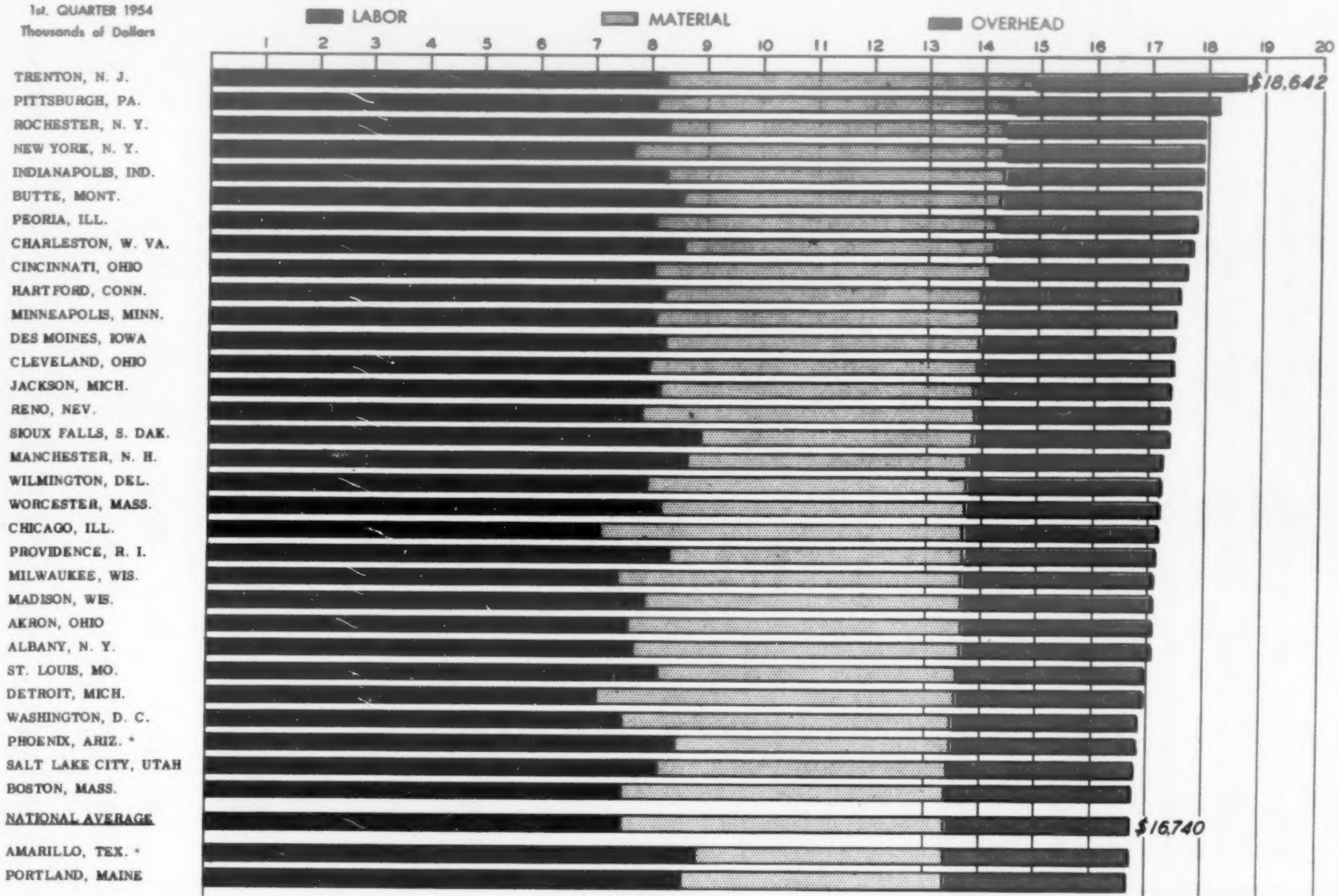
The first quarter's home building has gotten off to a fine start. Although it is 8% below the first quarter of 1953, most of this drop is accounted for by the fewer number of public housing units started. Private home building is only 2% below the first quarter of last year.

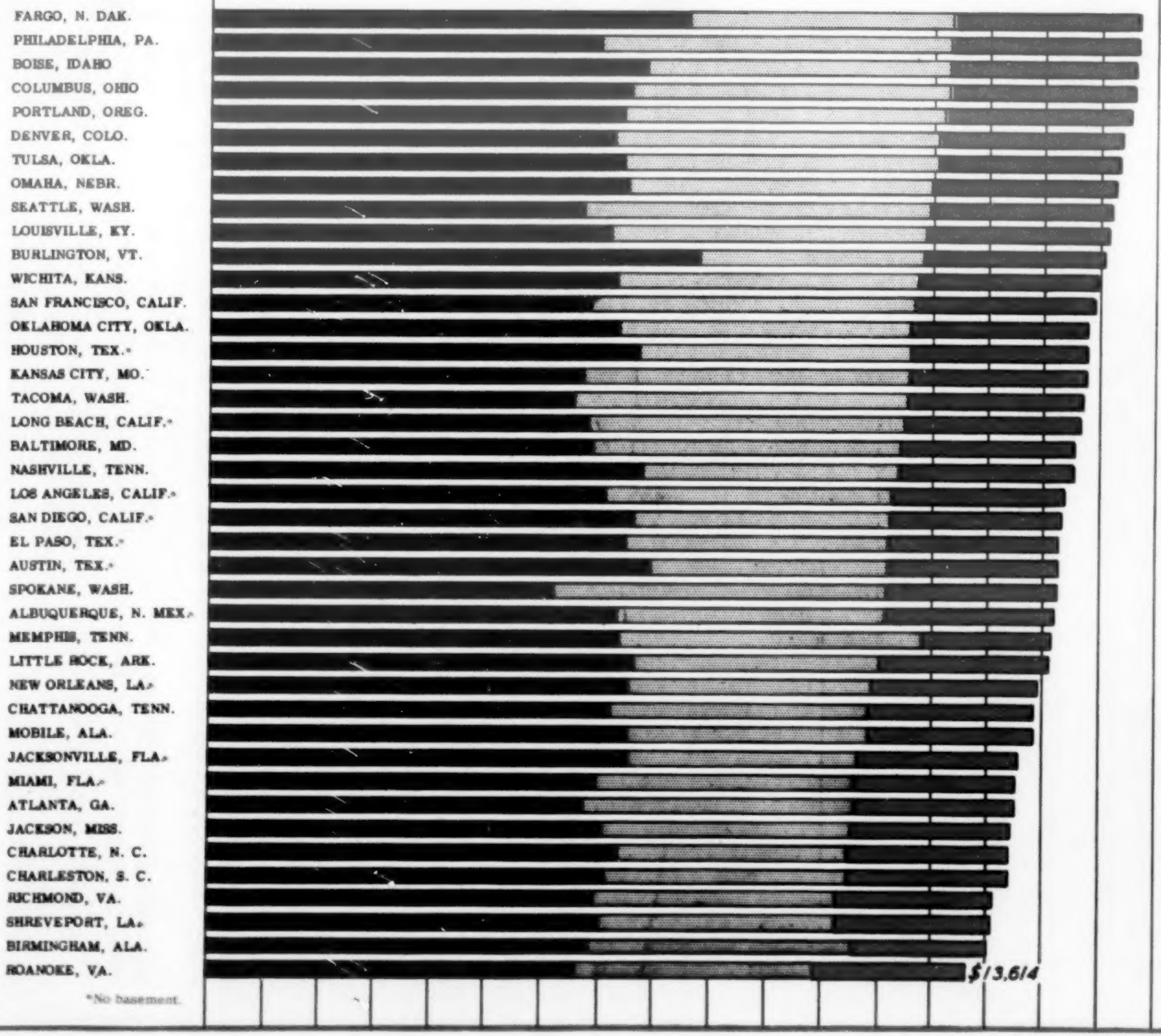
	Total starts*		Private starts		Public starts	
	1953	1954	1953	1954	1953	1954
January	72.1	66.0	68.2	64.7	3.9	1.3
February	79.2	73.0	73.8	71.8	5.4	1.2
March	105.8	97.0	96.1	95.8	9.7	1.2
1st quarter	257.1	236.0	238.1	232.3	19.0	3.7

*All figures in thousands.

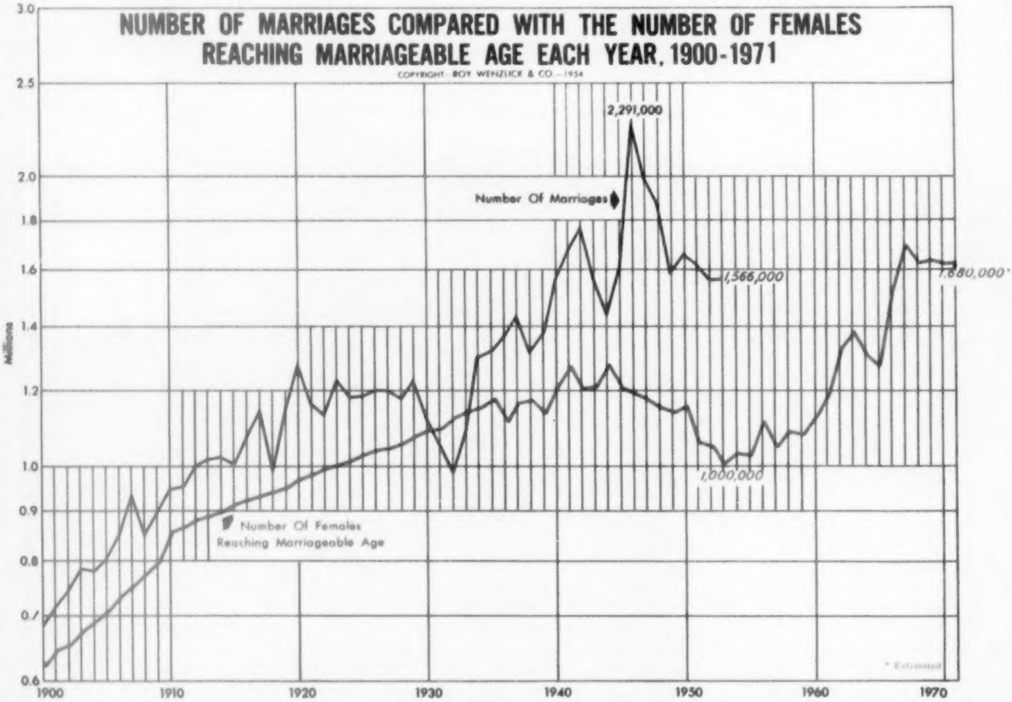
For further comments on the housing boom see pages 183 and 184.

BREAKDOWN OF TOTAL CONSTRUCTION COSTS OF A STANDARD SIX ROOM FRAME HOUSE BY LABOR, MATERIAL AND OVERHEAD




FARGO, N. DAK.
PHILADELPHIA, PA.
BOISE, IDAHO
COLUMBUS, OHIO
PORTLAND, OREG.
DENVER, COLO.
TULSA, OKLA.
OMAHA, NEBR.
SEATTLE, WASH.
LOUISVILLE, KY.
BURLINGTON, VT.
WICHITA, KANS.
SAN FRANCISCO, CALIF.
OKLAHOMA CITY, OKLA.
HOUSTON, TEX.*
KANSAS CITY, MO.
TACOMA, WASH.
LONG BEACH, CALIF.*
BALTIMORE, MD.
NASHVILLE, TENN.
LOS ANGELES, CALIF.*
SAN DIEGO, CALIF.*
EL PASO, TEX.*
AUSTIN, TEX.*
SPOKANE, WASH.
ALBUQUERQUE, N. MEX.*
MEMPHIS, TENN.
LITTLE ROCK, ARK.
NEW ORLEANS, LA.*
CHATTANOOGA, TENN.
MOBILE, ALA.
JACKSONVILLE, FLA.*
MIAMI, FLA.*
ATLANTA, GA.
JACKSON, MISS.
CHARLOTTE, N. C.
CHARLESTON, S. C.
RICHMOND, VA.
SHREVEPORT, LA.*
BIRMINGHAM, ALA.
ROANOKE, VA.
$13,614

*No basement.



FAMILY FORMATION

The chart above shows why the rate of family formation will be low for the next several years. Because of the low birth rate of the early and middle thirties, there are fewer persons reaching marriageable age.

On the other hand, this chart gives promise of a prodigious building boom. If a reasonable balance is maintained between the number of families and the number of dwelling units, this building boom should get under way in the early sixties. If allowed to develop naturally, the boom of the 1960-1970 period should reach even greater proportions than the boom of the 1940-1950 period. It would not be surprising to find nonfarm residential construction exceeding the rate of 1.5 million units per year for several years in a row.

RESIDENTIAL CONSTRUCTION COSTS

On pages 180 and 181 is shown the cost of building our standard six-room frame house in 74 principal cities. The costs are broken down into labor, material and overhead. The three highest cities are Trenton, Pittsburgh and Rochester, while the three lowest (with basements and central heating) are Richmond, Birmingham and Roanoke.

In those cities where it is customary to build without basements and without central heat, the cost has been figured in that way. These cities are indicated by asterisks.

RESIDENTIAL HOUSING NEEDS A CHANGE OF EMPHASIS

UNLESS we devote more serious efforts toward demolishing and rebuilding our dilapidated housing, we should put the brakes on the housing boom. The housing shortage is over, and to continue building in the present way and at the recent pace of 1,000,000 units per year is to risk a serious recession in the real estate industry that could possibly spread through the entire economy.

We expect that a great many people will disagree with this viewpoint. Too many place too much emphasis on "1,000,000 units plus" per year. It has become a magic number, a challenge, a goal that must be met regardless of the price.

During the next 6 years new residential construction should drop to an average of 825,000 to 885,000 units per year. At the end of that period we will have provided housing for the expected increase in family formation, replaced 360,000 demolished dwelling units, and built up a vacancy reserve of 900,000.

Our figure of 900,000 vacant units does not include seasonal or marginal-type units. At the present time there are approximately 44,292,000* nonfarm dwelling units in the United States. However, 2,064,000 of these are seasonal or marginal units (temporary dwelling units still in use, trailers, one-room family units, tourist cabins, and labor camps). If we deduct this 2,064,000 from the complete nonfarm inventory, we find that the total permanent nonfarm year-round housing supply is 42,228,000.* Since there are 41,774,000* nonfarm households in the United States, the present indicated vacancy is 454,000 units, or slightly more than 1%. We feel strongly that vacancy should not run higher than 2% among permanent year-round dwelling units. The old rule that it was desirable to have a 5% vacancy among residential units was figured on all nonfarm dwelling units, including the type we have subtracted from our inventory. (On this old rule the present vacancy is 5.7%.)

In arriving at our estimate we have figured that 120,000 dwelling units per year will be added through conversions. During the 1940-1950 period the yearly average ran at a rate of 175,000, and at times rose as high as 200,000 units per year. Naturally, if conversions run at a lower rate than 120,000 per year, a larger number of new dwelling units will be required annually than the figures we have recommended (825,000 to 885,000). Of course, the reverse is also true - the more dwelling units added through conversions, the smaller the number of new dwelling units needed each year.

More rapid demolition and rebuilding of dilapidated housing offers one safe and sure way to higher levels of residential construction. The Government's estimates of 60,000 units per year have been used in our calculations (360,000 in 6 years). This estimate recognizes the increasing importance of urban clearance

*Our estimates as of April 1, 1954, based on Census Bureau data.

and rehabilitation work in recent years. If demolitions exceed 60,000 per year, then our recommended figure for new housing units should be raised.

It seems to us that the time has come for a change in emphasis. Since 1946, the pressure has been to add to our housing supply as rapidly as possible, the purpose being to get everybody under roof. In the process we have pushed the urban boundaries farther and farther into the rural areas and have done relatively little building in the central portions of our urban communities, but we have put everybody under roof. The nation now has enough housing insofar as the number is concerned.

We have now moved into a period of slackening demand - the rate of family formation is moving downward and is expected to be low for several years. In the early 1960's family formation will begin to show sharp increases and will rise rapidly to a much higher level than ever before. If our economy can be kept on a fairly even keel, this increase in family formation will usher in a building boom of truly magnificent proportions. The pressure for new housing will be so great that little thought will be given to the time-consuming process of rehabilitating our central cities. Now is the time to increase the rehabilitation work so long discussed and so long neglected. Now is the time to change the emphasis from increasing the housing supply to improving its quality.

If new residential construction can be held to 825,000 to 885,000 units per year for the next 6 years and the slack taken up by rehabilitation of rundown units and replacement of demolished units, the building industry can reasonably expect a high level of activity for many years to come. On the other hand, if the emphasis is laid entirely on building "1,000,000 units plus" per year ad infinitum, the ground work will soon be laid for a serious drop in building activity and real estate values.